

The Grand Union Company

Report to Stockholders

Fiscal Year Ended
February 27, 1943

OFFICERS

J. SPENCER WEED	-	-	-	-	-	-	-	-	President
LANSING P. SHIELD	-	-	-	-	-	-	-	-	Vice-President
LOUIS C. WADMOND	-	-	-	-	-	-	-	-	Vice-President
THOMAS C. BUTLER	-	-	-	-	-	-	-	-	Secretary & Treasurer

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DIRECTORS

PEMBERTON BERMAN
CAXTON BROWN
HENRY A. COLGATE
GEORGE C. MAY
RAY MORRIS
LANSING P. SHIELD
J. SPENCER WEED

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Proxies for the annual meeting of stockholders to be held May 26th, 1943 will be requested later and the mailing to stockholders of the notice of meeting, proxy statement and proxy will be commenced on or about May 3rd, 1943.

This annual report is not sent to you in connection with the solicitation of proxies for the annual meeting and is not to be deemed to be incorporated in the proxy soliciting material by reference.

April 28, 1943

TO THE STOCKHOLDERS:

Herewith are submitted the consolidated financial statements of The Grand Union Company for the fiscal year ended February 27, 1943, and also the certificate of our auditors, Lybrand, Ross Brothers and Montgomery.

Net earnings for the fiscal year, after all charges for taxes, depreciation, etc., amounted to \$385,187, equivalent to \$1.73 per share on 222,738 shares of Capital Stock outstanding. These compare with earnings for the preceding year of \$395,092, or \$1.78 per share. Total sales for the year amounted to \$43,965,652, as compared with \$39,570,254 for the previous year.

This past year has presented many problems, the principal ones being the entrance of so many of our men into the armed services, difficulty in procuring supplies caused by shortages, rationing and many governmental regulations. Regardless of all such problems we have succeeded in building up our inventories so that we now have on hand a reasonably satisfactory supply of merchandise. This has naturally required more capital both because of the increased quantities and because of higher prices. Consequently, in spite of the addition of earnings, our cash position net of bank borrowings remained practically the same as last year.

Our wagon route business which relies to a considerable degree upon the sale of coffees and teas has been adversely affected by the rationing of these and other items and by other important factors such as loss of men and gasoline and tire restrictions. In order to conserve supplies and to keep this important division of the business in as strong a position as possible, twenty per cent of the lower volume routes have been closed.

In the chain store division we have had a successful year in spite of the many problems and sales volume has increased. Restriction of sales of the point rationed merchandise has been offset by the development of fruit and produce business and the sale of some new non-food articles. The Company was operating 358 stores at the end of our 1942 fiscal year as compared with 417 at the end of the preceding year. The number of meat departments was reduced from 178 to 163. This is in line with the Company's policy of closing small volume stores and service stores with high expense rates and replacing them with low cost self service markets.

It is with profound sorrow that we record the death last October of Mr. Archibald MacFarlane, a Director whose conservative business judgment and wise counsel was of great value throughout the term of his service on our Board.

Our service flag shows that 821 men have entered the armed services and this is over twenty per cent of the normal total number of employees.

This year we wish especially to emphasize our appreciation of the loyal and untiring efforts in these difficult times of all of our employees, including those who have taken the place of the men who have left us to fight for their country.

J. SPENCER WEED,
President.

THE GRAND UNION
AND ITS SUBSIDIARIES

CONSOLIDATED

At February 28, 1933

A S S E T S

Current assets:

Demand deposits in banks and cash on hand	-	-	-	-	-	\$1,229,588.93
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Accounts receivable:

Trade	-	-	-	-	-	-	\$ 469,861.05
Miscellaneous	-	-	-	-	-	-	108,737.57
							<u>578,598.62</u>
Less, Allowance for losses	-	-	-	-	-	-	137,532.28
							<u>441,066.34</u>

Inventories at the lower of cost or market:

Merchandise	-	-	-	-	-	-	4,900,546.82
Premiums	-	-	-	-	-	-	277,870.80
							<u>5,178,417.62</u>

Costs of inventories at warehouses are determined on the basis of "first in-first out."
The "retail method" of accounting is used with respect to inventories at retail outlets.

Total current assets	-	-	-	-	-	-	6,849,072.89
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Real estate at costs or written-down amounts, including \$104,402.78 at

amounts appraised by Scott Realty Appraisal Co. as of 1933	-	-	-	-	-	143,468.80
Less, Allowance for depreciation of improvements	-	-	-	-	-	20,840.25
						<u>122,628.55</u>

Mortgages and miscellaneous investments, at costs	-	-	-	-	-	159,622.83
						<u>282,251.38</u>

Less, Allowance for losses on real estate, mortgages and investments	-	-	-	-	-	-	58,008.36
							<u>224,243.02</u>

Machinery, fixtures and equipment at costs, except as to \$739,710.96 at amounts at which revalued as at December 31, 1932 by the Board of

Directors	-	-	-	-	-	-	3,089,523.71
Less, Allowance for depreciation	-	-	-	-	-	-	1,748,681.53
							<u>1,340,842.18</u>

Premium merchandise advanced to customers, at cost less cost of profit-sharing credits

Premium merchandise advanced to customers, at cost less cost of profit-sharing credits	-	-	-	-	-	-	553,242.80
Less, Allowance for losses	-	-	-	-	-	-	174,878.23
							<u>378,364.57</u>

Expense supplies, prepaid and deferred charges, etc.	-	-	-	-	-	-	320,754.13
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Good will	-	-	-	-	-	-	1.00
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\$9,113,277.79

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UBSIDIARY

BALANCE SHEET

y 27, 1943

LIABILITIES

Current liabilities:

Bankers acceptances against coffee received under trust receipts -	\$ 46,876.12
Notes payable to banks - - - - -	700,000.00
Accounts payable and accrued liabilities - - - - -	1,654,566.00
Provision for federal income taxes - - - - -	253,817.06
Amounts payable upon surrender of unexchanged certificates for old preference stock, coupons representing distributions on dividend arrearage certificates and scrip for fractional shares of capital stock	17,234.30
Total current liabilities - - - - -	2,672,493.48
Employees' fidelity deposits - - - - -	112,754.59
Reserve for unredeemed premium tickets - - - - -	33,272.43
	2,818,520.50

The company is contingently liable for approximately \$8,000., the unused balance of a letter of credit.

CAPITAL

Capital stock, no par value, authorized 400,000 shares, issued 222,738-12/15 shares - - - - - \$4,322,248.00

Note: The 222,738-12/15 shares shown above include 1,507 shares of capital stock represented by unexchanged certificates for an equal number of shares of old preference stock and 1,025-12/15 shares of capital stock represented by unexchanged certificates for 15,387 shares of old common stock.

Capital surplus, February 28, 1942 and February 27, 1943 - - - - -	497,241.95
Earned surplus since December 8, 1939, as annexed - - - - -	1,476,614.22
	6,296,104.17
Less, Treasury stock, 130-2/15 shares at cost - - - - -	1,346.88
	6,294,757.29
	<u>\$9,113,277.79</u>

CONSOLIDATED STATEMENT OF INCOME
for the fifty-two weeks ended February 27, 1943

Sales - - - - -		\$43,965,652.28
Cost of sales (including depreciation of \$19,818.03) - - -		<u>34,304,464.41</u>
Gross profit - - - - -		9,661,187.87
Selling and general expenses:		
Selling expenses, salaries of salesmen, managers and superintendents, delivery, advertising and other expenses - - - - -	\$6,869,104.60	
Rentals of retail outlets - - - - -	690,305.41	
General and administrative expenses - - -	641,448.18	
Allowances for doubtful accounts and premium merchandise advanced to customers	136,998.88	
Taxes, other than federal income - - -	349,231.96	
Depreciation of retail distribution equipment, etc. - - - - -	<u>288,102.55</u>	<u>8,975,191.58</u>
		685,996.29
Other deductions, including \$34,886 net loss on retirements and sales of fixed assets, less miscellaneous income of \$13,640 -		<u>50,809.05</u>
Net income before federal income taxes - - -		635,187.24
Provision for federal income taxes (no provision made or believed to be required for federal excess profits tax) - - - - -		<u>250,000.00</u>
Net income - - - - -		<u><u>\$ 385,187.24</u></u>

CONSOLIDATED STATEMENT of EARNED SURPLUS
for the fifty-two weeks ended February 27, 1943

Earned surplus since December 8, 1939:		
Balance, February 28, 1942 - - - - -		\$1,091,426.98
Net income for the fifty-two weeks ended February 27, 1943 -		<u>385,187.24</u>
Balance, February 27, 1943 - - - - -		<u><u>\$1,476,614.22</u></u>

AUDITORS' REPORT

THE GRAND UNION COMPANY,
New York, N. Y.

We have examined the consolidated balance sheet of THE GRAND UNION COMPANY and its Subsidiary as of February 27, 1943 and their consolidated statements of income and surplus for the fifty-two weeks then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making detailed audits of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and earned surplus present fairly the consolidated position of The Grand Union Company and its Subsidiary at February 27, 1943 and the consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the fifty-two weeks ended February 28, 1942.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, April 20, 1943.

